

# TIM

Sector: Telecoms

# BUY

Price: Eu0.22 - Target: Eu0.38

## Solid Trends, Guidance Confirmed, Deleverage On-Track

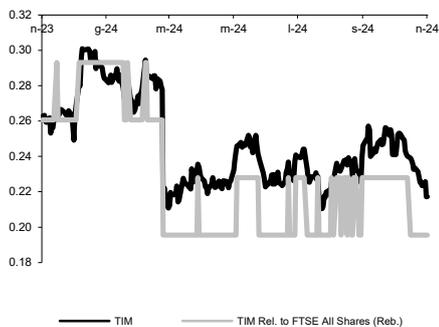
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### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	Unchanged		
	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>Chg in Adj EPS</b>	n.m.	n.m.	2.1%

**Next Event: 9M call today** at h. 11CET ([link](#))  
**Prelim. Res. FY24 & BP25-27** out 12<sup>th</sup> Feb '25

### TIM - 12M Performance



### Stock Data

Reuters code:	TLIT.MI		
Bloomberg code:	TIT IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	-9.9%	-0.3%	-16.7%
Relative	-8.2%	-5.4%	-32.9%
12M (H/L)	0.30/0.21		
3M Average Volume (th):	172,687.39		

### Shareholder Data

No. of Ord shares (mn):	15,329
Total no. of shares (mn):	21,357
Mkt Cap Ord (Eu mn):	3,330
Total Mkt Cap (Eu mn):	4,903
Mkt Float - Ord (Eu mn):	2,167
Mkt Float (in %):	65.1%
Main Shareholder:	
Vivendi SA	23.9%

### Balance Sheet Data

Book Value (Eu mn):	13,382
BVPS (Eu):	0.63
P/BV:	0.3
Net Financial Position (Eu mn):	-7,349
Enterprise Value (Eu mn):	17,295

- 3Q results.** 3Q results—the first under the new corporate scope — were in line with consensus estimates, coming in 1% above our forecasts across all key metrics (revenues, EBITDA, net debt), with a positive surprise on OpFCF (+7%/+9% vs. our/consensus estimates). This outperformance was driven by lower CapEx, reflecting a different phasing in Italy, with a partial catch-up anticipated in 4Q. 9M trends were in line with or above FY guidance: domestic revenues up 1.8% (tgt: 2-3%) and adj. EBITDAaL up 8.3% (tgt: 9-10%), leaving room to accelerate in 4Q, while net debt/EBITDA leverage came to 2.2x (tgt: ≤2.0x) excluding the €0.25bn cash-in from the INWIT stake disposal. Domestic OpEx was fully under control, despite higher revenue-driven costs, ~25% of OpEx are MSA-related with no contractual commitments, and the increase in OpEx efficiency is expected to continue in the coming quarters. Transformation plan execution is on track, with €171mn OpFCF savings achieved in 9M (78% of FY target).
- Divisional trends:** TIM Consumer saw a stabilising top line (serv. rev. +0.2% in 9M), with the volume-to-value strategy paying off in a competitive market (increasing pressure from energy players on wireline, more rational mobile market despite low-end competition) with improving KPIs (3Q saw -83k mobile net adds, halving from 1Q levels, stable churn). TIM Enterprise saw a remarkable acceleration (serv. rev. +8.0% in 9M, +11.1% in 3Q) fuelled by ICT and NSH ramp-up. TIM Brasil showed 7% growth in 3Q both at top line and EBITDA, delivering sound cash generation.
- Packed short-term agenda:** by the end of the month, the Group expects the closing of the INWIT stake sale (around €0.25bn) and a binding offer for 100% of Sparkle (approx. €0.7bn). Meanwhile, by mid-December we expect possible updates regarding the 1998 licence fee (c.€1bn). These three elements alone could significantly contribute to improving the group's financial profile.
- Update to estimates:** Pending this morning's conference call messages, we are just tweaking our FY24-27 estimates, with a neutral impact on FCF/net debt.
- BUY confirmed; target still €0.38 for TIM Ords (€0.46 for TIM Savs).** The strong YtD performance has increased visibility on the sustainability of FY guidance and enhanced financial flexibility, providing a solid base for future growth. With the NetCo sale (not yet reflected in current stock prices), the Group's focus now shifts to solidifying the ServCo business model, executing a turnaround strategy for TIM Consumer, reinforcing TIM Enterprise, and pursuing M&A opportunities. We remain bullish on the stock, as we anticipate substantial improvement in the financial profile: the Free-To-Run plan excludes potential gains from Inwit, Sparkle, the 1998 licence fee reimbursement, and the NetCo earn-out by 2026, which could be worth up to 100% of the current market cap. Our TPs do not incorporate additional upside of c.€0.16 from a potential re-rating of TIM Consumer to a "fair" multiple of 6x EV/EBITDAaL (or 7.2x for the entire domestic ServCo, slightly below the 7.6x multiple offered by Fastweb for Vodafone Italia), which could be crystallised immediately through market repair/consolidation or the disposal of the asset.

Key Figures & Ratios	2023A	2024E	2025E	2026E	2027E
Sales (Eu mn)	16,296	14,740	14,830	15,289	15,740
EBITDA Adj (Eu mn)	6,383	4,438	4,518	4,736	4,977
Net Profit Adj (Eu mn)	-437	-211	-24	400	752
EPS New Adj (Eu)	-0.020	-0.010	-0.001	0.019	0.035
EPS Old Adj (Eu)	-0.020	-0.013	-0.001	0.018	0.035
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	4.1	3.9	3.8	3.6	3.2
EV/EBIT Adj	30.9	9.6	14.0	11.6	8.3
P/E Adj	nm	nm	nm	11.6	6.2
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	3.2	1.7	1.6	1.5	1.2

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&P500 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

Explanation of our ratings system:

BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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As at 30 September 2024 Intermonte's Research Department covered 125 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	28.24 %
OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (61 in total) is as follows:

BUY:	55.74 %
OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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